

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
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OMB-01 SS-15 STR-07 DODE-00 /112 W
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R 240755Z FEB 78

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 801

INFO AMCONSUL ADANA

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMCONSUL ISTANBUL

AMCONSUL IZMIR

AMEMBASSY NICOSIA

AMEMBASSY PARIS

CINCUSAFFE

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USEEC

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E.O. 11652: NA

TAGS: EGEN, TU

SUBJ: TURKISH FINANCE MINISTER EXPLAINS NEW MEASURES

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REF: (A) ANKARA 1274, (B) ANKARA 1288, (C) ANKARA 1306

SUMMARY: FOLLOWING PUBLICATION IN OFFICIAL GAZETTE
OF NOTICES IMPLEMENTING MEASURES TO PREVENT UNNECESSARY
FOREIGN EXCHANGE LOSSES AND TO RESTRUCTURE FOREIGN DEBT,
TURKISH FINANCE MINISTER MUEZZINOGLU HAS MADE PUBLIC

STATEMENTS TO EXPLAIN THE NEW MEASURES. ON FEBRUARY 16, THE DAY THE NOTICES WERE PUBLISHED, MUEZZINOGLU HELD STATEMENTS TO EXPLAIN THE NEW MEASURES. ON FEBRUARY 16, THE DAY THE NOTICES WERE PUBLISHED, MUEZZINOGLU HELD A PRESS CONFERENCE. LATER HE ADDRESSED TURKISH WORKERS IN EUROPE ON TURKISH-LANGUAGE RADIO. NEW MEASURES ARE NOT OF MAJOR IMPORTANCE. END SUMMARY

1. ON FEBRUARY 16 SEVERAL NOTICES WERE PUBLISHED IN THE TURKISH OFFICIAL GAZETTE TO PROVIDE THE LEGAL BASIS FOR A SERIES OF NEW MEASURES DESIGNED TO RESTRICT FOREIGN EXCHANGE OUTFLOW DUE TO TOURIST TRAVEL AND CUSTOMS PRIVILEGES, TO RESTRICT USE OF ACCEPTANCE CREDIT TERMS FOR IMPORTS, TO DISCOURAGE INCREASED FOREIGN PARTICIPATION IN THE CONVERTIBLE LIRA DEPOSIT (CLD) SYSTEM, AND TO ENCOURAGE FOREIGNERS WHO HAVE LOANED MONEY THROUGH CLD'S TO ROLL OVER MATURING CLD'S TO LONGER MATURITIES. (SEE REFTEL A). THE NOTICES, WRITTEN IN TURKISH LEGALESE, WERE NOT READILY UNDERSTANDABLE, EVEN TO THOSE WITH ACCESS TO THE OFFICIAL GAZETTE. IN PUBLIC STATEMENTS, FINANCE MINISTER ZIYA MUEZZINOGLU HAS EXPLAINED THE INTENT AND IMPLICATION OF THE NEW MEASURES IN PLAIN LANGUAGE.

2. AT A PRESS CONFERENCE FEBRUARY 16, MUEZZINOGLU INDICATED THAT THE NEW MEASURES WOULD HELP TURKEY ESCAPE LIMITED OFFICIAL USE

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THE ECONOMIC BOTTLENECK THAT HE BLAMED ON MISTAKEN ECONOMIC POLICIES (PRESUMABLY OF THE PREVIOUS GOVERNMENT). HE SAID THAT THE MEASURES WERE AIMED AT PREVENTING EX-TRAVAGANCE. (COMMENT: "PREVENTING EXTRAVAGANCE" HAS BECOME THE KEY PHRASE IN THE ECEVIT GOVERNMENT'S ECONOMIC PRO-NOUNCEMENTS. WHILE IT IS ALSO USED TO REFER TO WASTE IN GOVERNMENT AND STATE ENTERPRISES, AND TO MISTAKEN INVESTMENT POLICY AND IMPLEMENTATION, EXTRAVAGANCE APPEARS TO REFER MAINLY TO THE EVER VULNERABLE AND POPULAR BUGABOO-LUXURY CONSUMPTION. IN FACT, CONSUMER GOODS IMPORTS AND SPENDING BY TURKISH TOURISTS ABROAD ARE MINOR FACTORS IN TURKEY'S FINANCIAL CRISIS.)

3. IN EXPLAINING TO THE PRESS MEASURES RELATED TO TURKISH TOURISTS, MUEZZINOGLU TOUCHED ON MOST OF THE POINTS REPORTED IN REFTEL(A). PRESS DID NOT REPORT ANY REFERENCE TO THE 50 PERCENT TAX ON TOURIST FOREIGN EX-CHANGE AND FARES, BUT FOREIGN AIRLINES IN ANKARA ARE PREPARING FOR ITS COLLECTION. MUEZZINOGLU TOLD THE PRESS CONFERENCE THAT PERSONS WHO TRAVELED AS TOURISTS IN 1977 WOULD BE SUBJECT TO THE LIMITATION OF ONE TRIP IN TWO YEARS, BUT THAT THOSE WHO TRAVELED TO CYPRUS

WOULD NOT. HE SAID THAT TURKISH LIRAS CARRIED BY
TURKISH TOURISTS TO CYPRUS WOULD BE CONTROLLED BY THE
USE OF CHECKS ISSUED BY TURKISH BANKS. PRESUMABLY BANKS
WILL ENDORSE PASSPORTS TO INDICATE THAT A CHECK HAS BEEN
ISSUED, BUT IT IS UNCLEAR WHAT PURPOSE WILL BE SERVED BY
THIS FORM OF CONTROL. MUEZZINOGLU TOLD THE PRESS THAT
170 MILLION DOLLARS IN FOREIGN EXCHANGE HAD BEEN ALLOCATED
TO TURKISH TOURISTS IN 1977 THROUGH LEGAL CHANNELS, THA

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R 240755Z FEB 78
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TURKISH TOURISTS HAD SPENT 1.3 BILLION LIRAS (ABOUT
65 MILLION DOLLARS) IN CYPRUS IN 1977, AND THAT THE USE OF
ILLEGAL SOURCES OF FOREIGN EXCHANGE BY TURKISH
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TOURISTS HAS REACHED IMPORTANT PROPORTIONS. (COMMENT:
UNDER NEW REGULATIONS TOURISTS WILL RECEIVE NO LESS THAN
300 DOLLARS AND NO MORE THAN 500 DOLLARS IN FOREIGN EX-
CHANGE. THE LOWER LIMIT IS PROBABLY INTENDED TO REDUCE
RELIANCE ON ILLEGAL SOURCES. UNDER PREVIOUS
REGULATIONS TOURISTS MIGHT RECEIVE 600 DOLLARS PER YEAR
WITH NO LIMITATION ON NUMBER OF TRIPS.)

4. MUEZZINOGLU CLARIFIED NEW REGULATIONS ON IMPORT
PRIVILEGES FOR TRAVELLERS AT THE FEBRUARY 16 PRESS CON-
FERENCE. PERSONS WHO REMAIN OUTSIDE TURKEY FOR LESS THAN
SIX MONTHS ARE NO LONGER PERMITTED TO IMPORT DUTIABLE
GOODS OTHER THAN "PERSONAL BELONGINGS". TURKISH WORKERS
ABROAD ARE EXCEPTED FROM THIS REGULATION. THOSE WHO RE-
MAIN OUTSIDE TURKEY FOR BETWEEN SIX MONTHS AND TWO YEARS
ARE PERMITTED TO IMPORT GOODS ON WHICH THE DUTY DOES NOT
EXCEED SIX THOUSAND LIRAS. MUEZZINOGLU TOLD THE PRESS
THAT COMMERCIAL SALE OF GOODS IMPORTED IN THIS MANNER
IS FORBIDDEN. (COMMENT: PREVIOUS REGULATIONS PERMITTED
GOODS ON WHICH DUTY DID NOT EXCEED SIX THOUSAND LIRAS
TO BE IMPORTED BY ALL TRAVELLERS, WITHOUT REGARD FOR THE AMOUNT OF
TIME THEY HAD SPENT OUTSIDE TURKEY. A CUSTOMS OFFICIAL
AT ESENBOGA AIRPORT (ANKARA) TOLD EMBASSY EMPLOYEE THAT
"PERSONAL BELONGINGS" IS INTERPRETED TO MEAN ONLY
CLOTHING.)

5. AT THE PRESS CONFERENCE MUEZZINGLU SIAD THAT FOREIGN
EXCHANGE ALLOCATIONS FOR BUSINESS TRAVEL WOULD BE REDUCED
BY 50 PERCENT, EXCEPT IN THE CASE OF EXPORTERS AND
"THOSE ENGAGED IN ACTIVITIES THAT INCREASE FOREIGN EXCHANGE
INCOME."

6. IN EXPLAINING THE NOTICE ON CLD'S (REF A & B) MUEZZINOFU
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MADE THE FOLLOWING POINTS AT THE PRESS CONFERENCE:
CLD'S WILL BE OPENED ONLY FOR THOSE (TURKS) WITH FOREIGN
EXCHANGE INCOME OUTSIDE OF TURKEY, AND EXCHANGE RATE
GUARANTEES WILL CONTINUE FOR THOSE DEPOSITORS; EX-
CHANGE RATE GUARANTEES HAVE BEEN REMOVED FOR FOREIGNERS,
BUT ACQUIRED RIGHTS WOULD BE PRESERVED (COMMENT:

EXCHANGE RATE GUARANTEES ON EXISTING CLD'S ARE PRESERVED. THE EFFECT OF ROLL-OVERS ON EXCHANGE RATE GUARANTEES IS UNCLEAR. PERHAPS THE IMMINENCE OF A DEVALUATION IS IMPLIED IN THIS.); IT HAS BEEN MADE POSSIBLE FOR BANKS TO OBTAIN CLD'S SO LONG AS THEY DO NOT EXCEED THE TOTAL OF EXISTING DEPOSITS. MUEZZINOGLU SAID, "THE CLD SYSTEM IS AN IMPORTANT CAUSE OF THE IMPASSE TURKEY HAS ENTERED.... WE INTEND TO HOLD CLD'S EXISTING TODAY AT THE SAME LEVEL. BY MEANS OF MEASURES TO BE TAKEN IN THE FUTURE, EXISTING CLD'S WILL BE INCORPORATED INTO A MORE HEALTHY AND LONG TERM STRUCTURE."

7. AT THE PRESS CONFERENCE MUEZZINOGLU SAID THAT EXCHANGE RATE GUARANTEES ON ACCEPTANCE CREDIT FOR IMPORTS HAD COST THE CENTRAL BANK 104 MILLION LIRAS (5 MILLION DOLLARS) IN 1977. HE THREW NO NEW LIGHT ON MEASURES RELATED TO ACCEPTANCE CREDIT IMPORTS (SEE REFTEL A AND C).

8. ANKA NEWS AGENCY REPORTED ON 22 FEBRUARY THAT MUEZ ZINGLU HAD ADDRESSED TURKISH WORKERS IN EUROPE BY MEANS OF BROADCASTS IN TURKISH ON WDR RADIO BASED IN GERMANY. IN THE RADIO ADDRESS HE REPORTEDLY SAID THAT RECENT ECONOMIC MEASURES RELATED TO FOREIGN EXCHANGE DO NOT AFFECT TURKISH WORKERS ABROAD, AND THAT DECISIONS CONCERNING THESE WORKERS WILL BE TAKEN IN THE DAY AHEAD. MUEZZINOGLU WAS QUOTED AS SAYING THAT THE OLD SYSTEM WOULD CONTINUE FOR WORKERS ABROAD. (COMMENT: IT WAS NECESSARY TO REASSURE TURKISH WORKERS IN EUROPE SO AS TO PRESERVE THE FLOW OF REMITTANCES.)

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9. COMMENT: AS INDICATED IN REFTEL A, THESE MEASURES CONSTITUTE ONLY A PRELIMINARY PACKAGE. THEY ARE NOT OF MAJOR IMPORTANCE IN THEMSELVES SINCE THEY DO NOT ADDRESS THE MAJOR PROBLEMS FACED BY TURKEY, IE AN OVERVALUED CURRENCY, RAPID INFLATION, A MASSIVE ACCUMULATION OF SHORT-TERM FOREIGN DEBT, AND A FUNDAMENTAL IMBALANCE BETWEEN IMPORTS AND EXPORTS. THE EMBASSY UNDERSTAND FROM HIGH-LEVEL GOVERNMENT SOURCES THAT ANOTHER PACKAGE COMPRISING REALLY FUNDAMENTAL ECONOMIC MEASURES, WHICH WILL AMOUNT TO AN AUSTERITY PROGRAM, WILL PROBABLY BE ANNOUNCED NEXT WEEK.

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